



Natural gas fuels pumps used for irrigating crops in southern Alberta.

## INTERIM REPORT

Second  
Quarter  
June 30  
1977

### Subsidiary Companies

Alberta Power Limited and  
subsidiaries

Canadian Western Natural Gas  
Company Limited

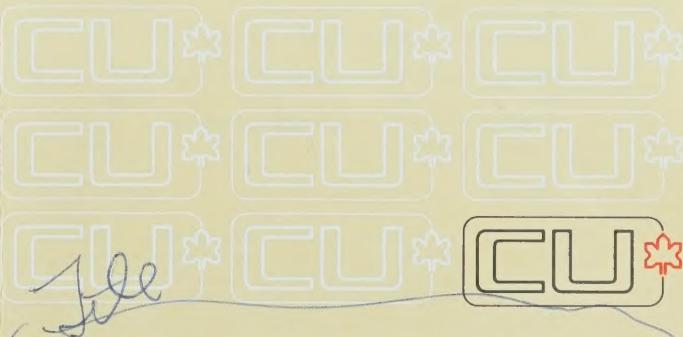
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and subsidiary

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Canadian Utilities Limited



Canadian Utilities Limited



## CONSOLIDATED STATEMENT OF EARNINGS

(in thousands)

	3 Months Ended June 30		6 Months Ended June 30	
	1977	1976	1977	1976
<b>Natural gas revenues</b>	<b>\$69,104</b>	<b>\$44,791</b>	<b>\$159,630</b>	<b>\$111,628</b>
Electric revenues	21,801	18,961	45,284	39,485
	<b>90,905</b>	<b>63,752</b>	<b>204,914</b>	<b>151,113</b>
<b>Operating expenses</b>				
Natural gas supply	47,516	26,108	106,318	61,292
Operating and maintenance	21,667	17,687	41,682	34,023
Taxes — other than income	4,936	3,668	11,502	9,038
Depreciation	4,021	3,588	9,272	8,357
	<b>78,140</b>	<b>51,051</b>	<b>168,774</b>	<b>112,710</b>
<b>Operating income</b>	<b>12,765</b>	<b>12,701</b>	<b>36,140</b>	<b>38,403</b>
<b>Other income</b>				
Interest capitalized during construction	504	359	849	667
Interest and dividends	224	273	934	514
Gain on purchase of long-term debt	47	245	226	365
Miscellaneous	(184)	350	(29)	409
	<b>591</b>	<b>1,227</b>	<b>1,980</b>	<b>1,955</b>
	<b>13,356</b>	<b>13,928</b>	<b>38,120</b>	<b>40,358</b>
<b>Income deductions</b>				
Interest on long-term debt	4,840	5,087	9,763	9,678
Interest on loan from affiliated company	66	67	131	131
Other interest	70	180	198	696
Debt and share expenses amortized	85	167	180	248
	<b>5,061</b>	<b>5,501</b>	<b>10,272</b>	<b>10,753</b>
<b>Income taxes</b>	<b>8,295</b>	<b>8,427</b>	<b>27,848</b>	<b>29,605</b>
	<b>1,764</b>	<b>2,200</b>	<b>6,714</b>	<b>9,213</b>
	<b>6,531</b>	<b>6,227</b>	<b>21,134</b>	<b>20,392</b>
<b>Minority interests</b>	<b>214</b>	<b>214</b>	<b>430</b>	<b>430</b>
<b>Net earnings</b>	<b>6,317</b>	<b>6,013</b>	<b>20,704</b>	<b>19,962</b>
Dividends on preferred shares	1,803	966	3,710	1,949
<b>Earnings applicable to common shares</b>	<b>\$ 4,514</b>	<b>\$ 5,047</b>	<b>\$ 16,994</b>	<b>\$ 18,013</b>
<b>Earnings — dollars per common share</b>				
Fully diluted	\$ .26	\$ .34	\$ .99	\$ 1.19
Basic	<b>\$ .27</b>	<b>\$ .35</b>	<b>\$ 1.01</b>	<b>\$ 1.26</b>

Note 1: The interim figures in this report are unaudited.

Note 2: Fully diluted earnings per share assume exercise of warrants and conversion of the second preferred shares at the beginning of each period.

Note 3: There are 16,855,124 common shares outstanding on June 30, 1977 compared with 14,313,648 a year earlier.

Note 4: Certain 1976 comparative figures have been regrouped to conform with the 1977 presentation.

Note 5: The natural gas supply expense is net of the Alberta government rebate of \$9,444 in the quarter ended June 30, 1977, (\$9,926 in quarter ended June 30, 1976) and \$31,993 in the six months ended June 30, 1977 (\$32,332 in six months ended June 30, 1976).



## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(in thousands)

### Sources of working capital

	3 Months Ended June 30		6 Months Ended June 30	
	1977	1976	1977	1976
Net earnings.....	\$ 6,317	\$ 6,013	\$20,704	\$19,962
Add non-cash items, principally depreciation.....	4,373	3,885	9,941	9,171
Provided from operations.....	10,690	9,898	30,645	29,133
Increase in notes payable.....	3,500	18,350	6,100	—
Issue of long-term debt.....	—	(4)	—	48,996
Issue of common shares on conversion of \$1.25 preferred shares and exercise of warrants.....	583	522	2,061	1,153
Increase in contributions for extension to plant.....	2,067	451	3,878	2,298
Disposition of property, plant and equipment.....	62	168	137	2,710
Net proceeds under The Natural Gas Pricing Agreement Act.....	165	524	501	1,103
Amount payable for coal lease.....	—	4,000	—	4,000
Other.....	25	(136)	140	(36)
	<b>17,092</b>	<b>33,773</b>	<b>43,462</b>	<b>89,357</b>

### Uses of working capital

Purchase of property, plant and equipment.....	18,351	24,398	35,203	38,007
Reduction in amount payable for coal leases.....	—	—	1,000	—
Reduction in notes payable.....	—	—	—	28,925
Reduction in long-term debt.....	690	1,494	3,437	3,244
Dividends — preferred.....	1,803	825	3,635	1,808
— common .....	3,535	2,644	7,053	5,280
Preferred dividends declared in advance.....	(66)	—	328	—
Redemption of \$1.25 preferred shares.....	—	1,200	220	1,200
Conversion of \$1.25 preferred shares.....	—	521	658	1,152
Increase in deferred expenses.....	346	153	878	291
	<b>24,659</b>	<b>31,235</b>	<b>52,412</b>	<b>79,907</b>
<b>Increase (decrease) in working capital .....</b>	<b>\$ (7,567)</b>	<b>\$ 2,538</b>	<b>\$ (8,950)</b>	<b>\$ 9,450</b>

## TO THE SHAREHOLDERS:

Net earnings available to common shareholders for the six months ended June 30, 1977 were \$16,994,000 (99 cents a share fully diluted) compared to \$18,013,000 (\$1.19 a share) for the corresponding period in 1976.

For the second quarter, net earnings available to common shareholders were \$4,514,000 (26 cents a share fully diluted) compared to \$5,047,000 (34 cents a share) last year.

The decline in earnings from the earlier period is partially attributable to the timing of rate changes and also, to a significant extent, to warm spring weather which followed an exceptionally mild winter resulting in lower than forecast natural gas sales. However, increased industrial volume and an eight per cent growth in the number of natural gas customers produced higher gas sales in the six-month period — 153.6 billion cubic feet compared to 144.1 billion cubic feet in 1976.

Electric sales for the six months rose to 1,329 million kilowatt hours from 1,134.6 million kilowatt hours last year. The current figure includes sales of 118.6 million kilowatt hours to another member of the provincial power grid.

Both the company's natural gas utility subsidiaries, Canadian Western Natural Gas Company Limited of Calgary and Northwestern Utilities Limited of Edmonton, applied in June to the Public Utilities Board for interim rate changes, in anticipation of an increase in gas price which was expected on July 1, 1977. Subsequent to the applications, the federal and provincial governments announced that the new price would take effect on August 1, 1977, and the companies' rate applications have been adjusted accordingly.

In April, a board decision on Northwestern Utilities 1976 rate case determined the com-

pany's revenue requirements for that year to be \$136,104,000 compared to the \$136,743,000 estimated by the company. The difference of \$639,000, about \$3 per customer, is being refunded in the July billings.

The company's electric utility subsidiary, Alberta Power Limited, submitted an application in May for an interim rate increase to apply to all electric power consumption after July 1, 1977. Hearings on this application are being held and a decision by the Public Utilities Board should be issued shortly.

Construction began in June on a 375-megawatt addition to Alberta Power's Battle River thermal generating station. The new Unit #5, scheduled for commissioning in 1981, is estimated to cost \$242 million. It will raise Battle River's total generating capacity to 741 megawatts.

Work is also proceeding on a \$40 million plant in Edmonton to extract ethane from natural gas streams flowing into the city. Production at the new facility should begin in the spring of 1978. This project, which is a joint venture of Dome Petroleum Limited and a Canadian Utilities subsidiary, CU Ethane Limited, is an important link in the world-scale petrochemical complex being developed in Alberta.

The company is pleased to welcome three new members to the Board of Directors elected at the annual shareholders' meeting on April 21: Ronald D. Southern, President and Chief Executive Officer of ATCO Industries Ltd.; Charles N. W. Woodward, Chairman of the Board and Chief Executive Officer of Woodward Stores Limited; and Kenneth A. Biggs, Canadian Utilities' Senior Vice President - Finance.

E. W. KING      J. E. MAYBIN  
President            Chairman

July 22, 1977